

August 04, 2009

JORDAN TELECOM (JTEL.AM)

- Jordan Telecom Group (JTG) reported total revenue of JOD 101.6 million for 2Q2009, a 2% increase over 2Q2008 results. This was slightly below our forecast of JOD 103.7 million (2% difference). As for 1H2009, total revenue reached JOD 196 million, no growth compared to the same period last year and it was 1% lower than our forecast.
- The fierce competition in Jordan has been tough on JTG's ability to grow its subscriber base; total subscribers grew by 1% since March 2009, and settled at around 2.5 million in June 2009. Mobile subscribers, as well as the fixed-line and internet subscribers witnessed an almost flat growth of around 1% each. According to JTG management, its mobile segment has an estimated market share ranging between 31% and 34% in 1H2009.
- JTG's 2Q2009 performance was healthier than 1Q2009, with mobile revenue growing by around 13% YoY, compared to a decline of 6% YoY witnessed in 1Q2009. At the end of 2Q2009, mobile business accounted for 45% of total revenue. As for the fixed-line and internet business, it witnessed an increase of 2% in 2Q2009 YoY. According to management, growth in the fixed-line and internet segment was fueled by broadband and wholesale revenues.
- On the operating level, during 2Q2009, EBITDA decreased by 6% YoY to JOD 44 million. This result was 4% below our forecast of JOD 45.8 million. Thus, EBITDA margin edged down from 47% in 2Q2008 to 43.4% in 2Q2009 versus our forecast of 44%. According to management, the company had higher cost of services which were due to higher traffic cost, mobile handset sales and employee offers.
- Net profit reached JOD 25.9 million at the end of 2Q2009, a 6% decrease compared to the same period last year. This result was 3% above our forecast of JOD 25 million.
- With the current market conditions, JTG's management is being cautious in its 2009 investments. At the end of 1H2009, CAPEX as a percentage of sales reached 7.6% compared to 11% during 1H2008. The current CAPEX expenditure is towards maintaining expanding the company broadband network, and improving network quality.
- Since our latest update on JTG (27th May, 2009), the stock price has risen by 2.5% from JOD 4.86 to JOD 4.98 (as of 3rd August, 2009); this is 9 % above our fair value of JOD 4.57. Our current recommendation on the stock is "Hold."

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